Supreme Court, U.S.
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No. 92-10-50

IN THE SUPREME COURT OF THE UNITED STATES
October Term, 1992

IN RE: RISK MANAGERS INTERNATIONAL, INC.; HERSCHEL HANCOCK, Individually and as Officer of RISK MANAGERS INTERNATIONAL, INC.; and CORPORATE UNDERWRITERS, LTD.,

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BRIEF IN OPPOSITION TO PETITION FOR WRIT OF MANDAMUS TO THE HONORABLE JOHN K. DIETZ, PRESIDING JUDGE OF THE 250TH JUDICIAL DISTRICT COURT OF TRAVIS COUNTY, TEXAS

APPENDIX A-G

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RULE 166b. FORMS AND SCOPE OF DISCOVERY; PROTECTIVE ORDERS; SUPPLEMENTATION OF RESPONSES

2. Scope of Discovery. Except as provided in paragraph 3 of this rule, unless otherwise limited by order of the court in accordance with these rules, the scope of discovery is as follows:

a. In General. Parties may obtain discovery regarding any matter which is relevant to the subject matter in the pending action whether it relates to the claim or defense of the party seeking discovery or the claim or defense of any other party. It is not ground for objection that the information sought will be inadmissible at the trial if the information sought appears reasonably calculated to lead to the discovery of admissible evidence. It is also not ground for objection that an interrogatory propounded pursuant to Rule 168 involves an opinion or contention that relates to fact or the application of law to fact, but the court may order that such an interrogatory need not be answered until after designated discovery has been completed or until a pretrial conference or other later time. It is also not ground for objection that a request for admission propounded pursuant to Rule 169 relates to statements or opinions of fact or of the application of law to fact or mixed questions of law and fact or that the documents referred to in a request may not be admissible at trial.

b. Documents and Tangible Things. A party may obtain discovery of the existence, description, nature, custody, condition, location and contents of any and all documents, (including papers, books, accounts, drawings, graphs, charts, photographs, electronic or videotape recordings, and any other data compilations from which information can be obtained and translated, if necessary, by the person from whom production is sought, into reasonably usable form) and any other

tangible things which constitute or contain matters relevant to the subject matter in the action. A person is not required to produce a document or tangible thing unless it is within the person's possession, custody or control. Possession, custody or control includes constructive possession such that the person need not have actual physical possession. As long as the person has a superior right to compel the production from a third party (including an agency, authority or representative), the person has possession, custody or control.

3. **Exemptions.** The following matters are protected from disclosure by privilege:

a. Work Product. The work product of an attorney, subject to the exceptions of Texas Rule of Civil Evidence 503(d) which shall govern as to work product as well as to attorney-client privilege.

b. Experts. The identity, mental impressions and opinions of an expert who has been informally consulted or of an expert who has been retained or specially employed by another party in anticipation of litigation or preparation for trial or any documents or tangible things containing such information if the expert will not be called as an expert witness, except that the identity, mental impressions and opinions of an expert who will not be called to testify as an expert and any documents or tangible things containing such impressions and opinions are discoverable if the consulting expert's opinion or impressions have been reviewed by a testifying expert.

c. Witness Statements. The written statements of potential witnesses and parties, when made subsequent to the occurrence or transaction upon which the suit is based and in connection with the prosecution, investigation, or defense of the particular suit, or in

anticipation of the prosecution or defense of the claims made a part of the pending litigation, except that persons, whether parties or not, shall be entitled to obtain, upon request, copies of statements they have previously made concerning the action or its subject matter and which are in the possession, custody, or control of any party. The term "written statements" includes (i) a written statement signed or otherwise adopted or approved by the person making it, and (ii) a stenographic, mechanical, electrical or other type of recording, or any transcription thereof which is a substantially verbatim recital of a statement made by the person and contemporaneously recorded. For purpose of this paragraph a photograph is not a statement.

d. Party Communications. Communications between agents or representatives or the employees of a party to the action or communications between a party and that party's agents, representatives or employees, when made subsequent to the occurrence or transaction upon which the suit is based and in connection with the prosecution, investigation or defense of the particular suit, or in anticipation of the prosecution or defense of the claims made a part of the pending litigation. This exemption does not include communications prepared by or for experts that are otherwise discoverable. For the purpose of this paragraph, a photograph is not a communication.

e. Other Privileged Information. Any matter protected from disclosure by any other privilege.

Upon a showing that the party seeking discovery has substantial need of the materials and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means, a party may obtain discovery of the materials otherwise exempted from discovery by subparagraphs c and d of this paragraphs 3. Nothing in this paragraph 3 shall be construed to render non-discoverable the

identity and location of any potential party, any person having knowledge of relevant facts, any expert who is expected to be called as a witness in the action, or of any consulting expert whose opinions or impressions have been reviewed by a testifying expert.

4. Presentation of Objections. Either an objection or a motion for protective order made by a party to discovery shall preserve that objection without further support or action by the party unless the objection or motion is set for hearing and determined by the court. Any party may at any reasonable time request a hearing on any objection or motion for protective order. The failure of a party to obtain a ruling prior to trial on any objection to discovery or motion for protective order does not waive such objection or motion. In objecting to an appropriate discovery request within the scope of paragraph 2, a party seeking to exclude any matter from discovery on the basis of an exemption or immunity from discovery, must specifically plead the particular exemption or immunity from discovery relied upon and at or prior to any hearing shall produce any evidence necessary to support such claim either in the form of affidavits served at least seven days before the hearing or by testimony. If the trial court determines that an in camera inspection and review by the court of some or all of the requested discovery is necessary, the objecting party must segregate and produce the discovery to the court in a sealed wrapper or by answers made in camera to deposition questions, to be transcribed and sealed in event the objection is sustained. When a party seeks to exclude documents from discovery and the basis for objection is undue burden, unnecessary expense, harassment or annoyance, or invasion of personal, constitutional, or property rights, rather than a specific immunity or exemption, it is not necessary for the court to conduct an inspection and review of the particular discovery before ruling on the objection. After the date on which answers are to be served, objections are waived unless an extension of time has been obtained by agreement or order of the court or good cause is shown for the failure to object within such period.

B-1

IN THE COURT OF APPEALS,
THIRD DISTRICT OF TEXAS,

AT AUSTIN

No. 3-89-212-CV

RISK MANAGERS INTERNATIONAL, INC., ET AL.,
Appellants.

vs.

STATE OF TEXAS,
Appellee

FROM THE DISTRICT COURT OF TRAVIS COUNTY,

299TH JUDICIAL DISTRICT

NO. 471,568,

HONORABLE PETE LOWRY, JUDGE PRESIDING

The State of Texas, through the Attorney General, brought suit to prohibit Corporate Underwriters, Ltd., and Risk Managers International, Inc. (Risk Managers) from practicing the business of insurance in this State without authorization. This is an interlocutory appeal from an order of the district

court issuing a temporary injunction and dissolving a previously ordered temporary receivership. Risk Managers appeals from that portion of the order issuing the temporary injunction; the State appeals from that portion dissolving the temporary receivership. We will affirm the order of the district court.

As a result of several complaints and inquiries, the State Board of Insurance began investigating Risk Managers to determine if it was engaging in the unauthorized business of insurance in Texas. The State Board requested Herschel Hancock, the president and director of Risk Managers, to provide certain information. After several months delay, Hancock responded that he would not provide the requested information. The State then issued a subpoena to Hancock. However, Hancock refused to answer any questions and refused to produced any corporate documents, asserting his fifth amendment privilege against self-incrimination. The State then instituted an action against Hancock and obtained an order compelling him to comply with the subpoena. Hancock appealed that order to this Court, where it is currently pending.

After that appeal was taken, the State instituted the present action against Risk Managers for insurance fraud, deceptive trade practices, and conducting the business of insurance without authority. The State was also granted leave to file a petition in the nature of quo warranto. The State sought and received from the trial court, ex parte, a temporary restraining order and the appointment of a temporary receiver. Risk Managers moved to dissolve both the temporary restraining order and the receivership. That motion was heard along with the State's application for temporary injunction. The State introduced into evidence documents that were obtained as a result of the receiver's presence in Risk Managers' offices. Risk Managers asserts that these were the very type of documents on which Hancock's fifth amendment claim was based. Based on this and other evidence, the trial court found that Risk Managers had engaged in the unauthorized business of insurance and issued a temporary injunction. However, the trial court dissolved the temporary receivership.

State's Cross-Points

In three cross-points, the State contends that the trial court erred in dissolving the temporary receivership. The appointment or discharge of a temporary receiver is committed to the sound discretion of the trial court and will not be disturbed on appeal in the absence of a clear abuse of discretion. *Washington Am. Life Ins. Co. v. State*, 545 S.W.2d 291, 294 (Tex. Civ. App. 1977, no writ); *Manning v. State*, 423 S.W.2d 406, 410 (Tex. Civ. App. 1967, writ ref'd n.r.e.).

This Court has held that when a corporation has been restrained in the public interest from conducting the unauthorized business of insurance, receivership proceedings are permissible. *Washington Am. Life*, 545 S.W.2d at 294; *Manning*, 423 S.W.2d at 410. In addition, the Texas Insurance Code provides:

> If the Commissioner of Insurance is satisfied at any time ... that such insurance company is not in condition to continue business in the interest of its policy or certificate holders, the Commissioner of Insurance shall give notice to the Attorney General who shall thereupon apply to any Court in Travis County, Texas, having jurisdiction thereof for leave to file suit in the nature of quo warranto to forfeit the charter of

> such insurance company or to require it to comply with the law or to satisfy the Commissioner of Insurance as to its solvency, and to satisfy the requirement that its condition is such as to render the continuance of its business not hazardous to the public or to the holders of its policies or certificates of insurance. It shall be in the discretion of the Commissioner of Insurance to determine at any time whether ... he will report it to the Attorney General for the purpose of taking any remedial action including, without limitation, applying for appointment of a receiver under Article 21.28 of this Code. No period of supervision or conservatorship is necessary as a prerequisite for the Attorney General to take that remedial action.

Tex. Ins. Code Ann. art. 21.28, § 5 (Supp. 1990).

The State initially argues that, under the Insurance Code, the appointment of a receiver is mandatory if the trial court finds that the insurer has engaged in the unauthorized business of insurance. However, the Insurance Code only authorizes the Commissioner of Insurance to request the Attorney General to seek appointment of a receiver. It does not limit a trial court's discretion in the appointment of a receiver based on the court's determination of the public interest involved.

The State also argues that the trial court abused its discretion in dissolving the receivership under this Court's

holding in *State v. Memorial Benevolent Society*, 384 S.W.2d 776 (Tex. Civ. App. 1964, writ ref'd n.r.e.). In that factually analogous case, the trial court vacated the appointment of a receiver and dissolved an injunction on the basis of an express finding that the defendant had never engaged in the business of insurance. This Court determined that the undisputed facts established that the defendant was engaging in the business of insurance, and on that basis reinstated the injunction and the receiver. The State argues that *Benevolent Society* stands for the proposition that once a court determines that an insurer is engaging in the unauthorized business of insurance, the court has no discretion to refuse to appoint a receiver. That proposition is contrary to this Court's holdings in *Manning* and *Washington Am. Life*, and we decline to follow it. Moreover, the present case is distinguishable from *Benevolent Society* in that the trial court here did not expressly condition the dissolution of the receivership on any particular facts or findings. Indeed, the trail court expressly found that Risk Managers was engaged in the unauthorized business of insurance. Therefore, the trial court did not base its dissolution

of the receivership solely on an erroneous legal conclusion, as was the case in *Benevolent Society*.

The record in the present case contains evidence that Risk Managers is not insolvent and that the temporary injunction would be sufficient to protect the public interest. Therefore, the trial court was authorized to conclude that a receivership was not necessary to protect the public and policyholders. Accordingly, we hold that the trial court did not abuse its discretion in dissolving the receivership. The State's cross-points are overruled.

Risk Managers' Points of Error

Risk Managers brings five points of error contending that the trial court erred in issuing the temporary injunction. Risk Mangers' primary argument is that State's exhibits 29-31 and 33-39 were erroneously admitted, and that without them the trial court had no evidence or basis on which to issue the temporary injunction.

The standard of review on appeal from the granting of a temporary injunction is whether the trial court abused its discretion in granting the temporary relief. *Davis v. Huey*, 571

S.W.2d 859, 862 (Tex. 1978); *State v. Southwestern Bell Tel. Co.*, 526 S.W.2d 526, 528 (Tex. 1975). Risk Mangers contends that the trial court abused its discretion because there is no evidence to support the trial court's finding that Risk Managers engaged in the unauthorized business of insurance, on which the injunction was based.

Exhibits 29-31 and 33-39, which Risk Managers contends are the same type of documents to which it had asserted a fifth amendment privilege in earlier proceedings, were admitted as documents obtained by the receiver during the course of a delinquency proceeding. Tex. Ins. Code Ann. art. 21.28, § 11(a) (Supp. 1990). Risk Managers argues that these documents were obtained only through the "unlawful appointment" of the receiver, thereby allowing the State to obtain via the back door what it could not get (at least not immediately) through the front door.

As far as we can tell from its brief, Risk Managers does not assert that the State misrepresented facts to the trial court in order to obtain the ex parte appointment of the receiver. Nor does Risk Managers contend that the trial court lacked

jurisdiction to order the appointment of a temporary receiver. *Cf. Spence v. State Nat. Bank*, 5 S.W.2d 754 (Tex. Comm. App. 1928, jdgmt adopted) (if a court has jurisdiction, an error or irregularity in the proceedings will not render an order appointing a receiver void, but at most would render it voidable). Rather, the only argument offered by Risk Managers to support its contention that the documents were obtained "illegally" is that the trial court, in ordering the receivership dissolved, impliedly declared it to be void *ab initio*. Therefore, following Risk Managers' argument, the acts of the receiver are void, and the documents could not properly be admitted as documents obtained by the receiver in a delinquency proceeding.

The trial court had jurisdiction to appoint a receiver because Risk Managers was alleged to be engaged in the unauthorized business of insurance. *See Washington Am. Life*, 545 S.W.2d 291; *Manning*, 423 S.W.2d 406; Tex. Ins. Code Ann. art. 21.28A, § 5 (Supp. 1990). Therefore, the trial court's order was not void but was, at most, merely voidable. Accordingly, we must examine the record to see if the trial

court subsequently voided the order appointing the receiver. If it did not, this Court is not free to adjudicate this issue. *See Payne v. Snyder*, 661 S.W.2d 134, 140 (Tex. App. 1983, writ ref'd n.r.e).

After the ex parte order appointing the receiver was signed, Risk Managers appeared in the case and moved to dissolve the order. In its motion, Risk Managers argued that the appointment was improper because the State, in its motion, failed to substantiate that Risk Managers was engaged in the business of insurance, and because the ex parte appointment deprived Risk Managers of due process. Risk Managers prayed for judgment "in conformity with these pleadings and for such further and other relief to which defendant may be entitled." Following a hearing, the trial court ruled from the bench that he would dissolve the receivership order. This was followed with a written order stating simply that "IT IS ORDERED that the temporary receivership ordered in the temporary restraining order is hereby discharged and the temporary receiver, Stephen Durish is hereby dissolved. The temporary receiver has no more responsibility as receiver in this cause."

The order dissolving the receivership contains no language indicating that it was intended to affect anything other than the *future* viability of the receivership. Moreover, by admitting into evidence the documents obtained by the receiver during the course of the short-lived receivership, and by expressly finding that Risk Managers engaged in the unauthorized business of insurance, the trial court impliedly found the receivership not to be void. We are, therefore, unable to conclude that the trial court intended to declare the receivership order void *ab initio*. Accordingly, we hold that the trial court did not err in admitting into evidence the documents obtained by the receiver and did not abuse its discretion in issuing the temporary injunction.

Moreover, even assuming arguendo that exhibits 29-31 and 33-39 were improperly admitted, the temporary injunction is supported by other evidence. The Texas Insurance Code defines engaging in the business of unauthorized insurance as doing the business of insurance in the State of Texas without legal authority. Tex. Ins. Code Ann. art 1.14-1, § 3 (Supp. 1990). Doing the business of insurance is defined as:

[A]ny of the following acts in this state effected by mail or otherwise is defined to be doing an insurance business in this state...

1. The making of or proposing to make, as an insurer, an insurance contract.

2. The making of or proposing to make, as guarantor or surety, any contract of guaranty or suretyship as a vocation and not merely incidental to any other legitimate business or activity of the guarantor or surety.

3. The taking or receiving of any application for insurance.

4. The receiving or collection of any premium, commission, membership fees, assessments, dues or other consideration for any insurance or any part thereof.

5. The issuance or delivery of contracts of insurance to residents of this state or to persons authorized to do business in this state.

6. Directly or indirectly acting as an agent for or otherwise representing or aiding on behalf of another any person or insurer in the solicitation, negotiation, procurement or effectuation of insurance or renewals thereof or in the dissemination of

> information as to coverage or rates, or forwarding of applications, or delivery of policies or contracts, or inspection of risks, a fixing of rates or investigation or adjustment of claims or losses or in the transaction of matters subsequent to effectuation of the contract and arising out of it, or in any other manner representing or assisting a person or insurer in the transaction of insurance with respect to subjects of insurance resident, located or to be performed in this state. The provisions of this subdivision shall not operate to prohibit full-time salaried employees of a corporate insured from acting in the capacity of an insurance manager or buyer in placing insurance in behalf of such employer.

Tex. Ins. Code Ann. art. 1.14, § 2(a) (Supp. 1990).

Exhibits 1 and 2 contain insurance policies for workers' compensation and general liability insurance. Several of these policies and endorsement name the insurer as "Corporate Underwriters Limited by Risk Managers International," state that the issuing office is in Dallas, Texas, and are signed by Nyle Large, a representative of Risk Managers. Exhibit 2

contains statements made by a Texas insured that it had purchased workers' compensation insurance from Corporate Underwriters, Ltd. through Risk Managers International, Inc., and that Risk Managers was paying all their claims. Exhibit 3 contains statements from a prospective insured that he received price quotations from Risk Managers and a visit in Texas from Nyle Large, who was soliciting insurance business. It is undisputed that Risk Managers does not have a license or charter that would allow it to conduct the business of insurance in Texas. The above constitutes sufficient evidence to support the trial court's conclusion that Risk Managers had engaged in the unauthorized business of insurance in Texas.

Risk Managers also asserts that it falls within an exemption contained in the Texas Insurance Code: "The provisions of this section do not apply to: ... [t]ransactions involving contracts of insurance independently procured through negotiations occurring entirely outside of this state which are reported and on which premium tax is paid in accordance with this Article." Tex. Ins. Code ann. art. 1.14-1, § 2(b)(4) (1981).

Generally, a person or entity claiming the benefit of a statutory exemption has the burden of proving every fact essential to the invocation of the exemption. *See, United States v. First City Nat'l Bank,* 386 U.S. 361, 366 (1967); *Cramer v. Sheppard*, 167 S.W.2d 147, 155 (Tex. 1942). Here, Risk Managers has failed to demonstrate that the transactions of insurance about which the State complains were independently procured. Indeed, the evidence affirmatively demonstrates that at least some of Risk Managers' insurance contracts were *not* independently procured. The record contains evidence that Risk Managers sent price quotations, lists of insureds, and forms for inquiry to prospective Texas insureds before they purchased insurance. Thus, at least some of the negotiations leading up to the procurement of insurance contracts occurred in Texas. In addition, the evidence indicates that Risk Managers failed to report and pay premium taxes on the allegedly independently procured policies. Therefore, Risk Managers failed to demonstrate the applicability of the exemption. Risk Managers' points of error are overruled.

The order of the district court is affirmed.

/S/
J. Woodfin Jones, Justice

[Before Justices Powers, Gammage and Jones]

Affirmed

Filed: August 8, 1990

[Do Not Published]

COURT OF APPEALS
Third District
Austin, Texas

I, Susan K. Bage, Clerk of the Court of Appeals for the Third District of the State of Texas, hereby certify that the foregoing nine (9) pages contain a true and correct xeroxed copy of the:

OPINION

filed in said court on the 8th day of August, 1990, in the following numbered and entitled cause:

RISK MANAGERS INTERNATIONAL, INC., ET AL.

No. 3-89-212-CV vs.

STATE OF TEXAS

on appeal to said court from Travis County, Texas.

WITNESS MY HAND and the seal of said Court, this the 24th day of June, 1991.

Susan K. Bage
Clerk

By /S/
Diane Blackley, Deputy

NO. 471,568

THE STATE OF TEXAS and STATE BOARD OF INSURANCE, Plaintiffs,	§	IN THE DISTRICT COURT
VS.	§	
RISK MANAGERS INTERNATIONAL, INC.; HERSCHEL HANCOCK, Individually and as Officer of RISK MANAGERS INTERNATIONAL, INC.; NYLE LARGE, Individually and as Agent of RISK MANAGERS INTERNATIONAL, INC.; and CORPORATE UNDERWRITERS, LTD., Defendants.	§	OF TRAVIS COUNTY, TEXAS
	§	299TH JUDICIAL DISTRICT

STATE OF TEXAS' SECOND DOCUMENT PRODUCTION REQUEST TO CORPORATE UNDERWRITERS, LTD.

TO: Corporate Underwriters, Ltd., by and through their attorney of record, Hector DeLeon, DELEON, BOGGINS & RICHARDS, 480 Austin Centre, 701 Brazos, Austin, Texas 78701.

Please take notice that request is hereby made pursuant to Rule 167 of the Texas Rules of Civil Procedure that

Defendant, Corporate Underwriters, Ltd., produce and permit the undersigned attorney for Plaintiff to inspect and copy or reproduce the documents hereinafter designated in the offices of the Attorney General, 411 West 13th St., 7th floor, Austin, Texas, 78701, on _____ 1992, at ____ a.m. Within thirty (30) days after service of this Request for Production of Documents, Defendant, Corporate Underwriters, Ltd., shall file a written response stating with respect to each request that an inspection and copying or reproduction will be permitted as requested unless the request is objected to, in which event the reason for the objections shall be stated.

DEFINITIONS AND INSTRUCTIONS

A. As used herein, the terms "you" and "your" shall mean Corporate Underwriters, Ltd., its attorneys, officers, agents, employees, and representatives.

B. As used herein, the terms "Corporate Underwriters, Ltd." and "CU" shall mean Corporate

Underwriters, Ltd., its attorneys, officers, agents, employees, and representatives.

C. As used herein, the terms "Risk Managers International, Inc." and "RMI" shall mean Risk Managers International, Inc., its attorneys, officers, agents, employees, and representatives.

D. The term "document" or "documentary material" shall mean all writings of every kind, source, and authorship, both originals and all nonidentical copies thereof, in your possession, custody, or control, or known by you to exist, irrespective of whether the writing is one intended for or transmitted internally by you, or intended for or transmitted to any other person or entity, including without limitation any government agency, department, administrative, or private entity or person. The term shall include handwritten, typewritten, printed, photocopied, photographic, or recorded matter. It shall include communications in words, symbols, pictures, sound recordings, films, tapes, and information stored

in, or accessible through, computer or other information storage or retrieval systems, together with the codes and/or programming instructions and other materials necessary to understand and use such systems. For purposes of illustration and not limitation, the term shall include: affidavits; agendas; agreements; analyses; announcements; bills, statements, and other records of obligations and expenditures; books; brochures; bulletins; calendars; canceled checks, vouchers, receipts and other records of payments; charts, drawings; check registers; checkbooks; circulars; collateral files and contents; contracts; corporate by-laws; corporate charters; correspondence; credit files and contents; deeds of trust; deposit slips; diaries, drafts; files; guaranty agreements; instructions; invoices; ledgers, journals balance sheets, profit and loss statements, and other sources of financial data; letters, logs, notes, or memoranda of telephonic or face-to-face conversations; manuals; memoranda of all kinds, to and from any persons, agencies, or entities; minutes; minute books; notes; notices; parts lists; papers; press

releases; printed matter (including published books, articles, speeches, and newspaper clippings); purchase orders; records; records of administrative technical, and financial actions taken or recommended; reports; safety deposit boxes and contents and records of entry; schedules; security agreements; specifications; statement of bank accounts; statements, interviews; stock transfer ledger; technical and engineering reports, evaluations, advice, recommendations, commentaries, conclusions, studies, test plans, manuals, procedures, data, reports, results, and conclusions; summaries, notes, and other records and recordings of any conferences, meetings, visits, statements, interviews or telephone conversations; telegrams; teletypes and other communications sent or received; transcripts of testimony; UCC instruments; work papers; and all other writings, the contents of which relate to, discuss, consider, or otherwise refer to the subject matter of the particular discovery requested.

E. The term "documents" and "documentary material" shall also include, but shall not be limited to: 1) a

contract of insurance; 2) an application for insurance; 3) any records relating to premiums, commissions, membership fees, assessments, dues, or other consideration for any insurance; 4) any records relating to the solicitation or negotiation of insurance or renewals; 5) any records relating to the dissemination of information as to coverage or rates; 6) any records relating to the inspection of risks; 7) any records relating to the investigation or adjustment of claims or losses; and 8) any records relating to the transaction of matters subsequent to the effectuation of a contract of insurance.

F. "Person": The term "person" shall include individuals, associations, partnerships, corporations, and any other type of entity or institution whether formed for business purposes or any other purposes.

G. "Identify" or "Identification":

1. When used in reference to a person, "identify" or "identification" means to state his/her full name, present or last known address and telephone number.

2. When used in reference to a public or private corporation, governmental entity, partnership or association, "identify" or "identification" means to state its full name and present or last known business address or operating address.

3. When used in reference to a document, "identify" or "identification" shall include statement of the following:

(a) the title, heading, or caption, if any, of such document;

(b) the identifying number(s), letter(s), or combination thereof, if any; and the significance or meaning of such number(s), letter(s), or combination thereof, it necessary to an understanding of the document and evaluation of any claim of protection from discovery.

(c) the date appearing on such document; if no date appears thereon, the answer shall so state and shall give the date or approximate date on which such document was prepared.

(d) the number of pages and the general nature or description of such document (*i.e.*, whether it is a letter, memorandum, minutes of a meeting, etc.), with

sufficient particularity so as to enable such document to be precisely identified;

(e) the name and capacity of the person who signed such document; if it was not signed the answer shall so state and shall give the name of the person or persons who prepared for it;

(f) the name and capacity of the person to whom such document was addressed and the name and capacity of such person, other than such addressee, to whom such document, or a copy thereof, was sent; and

(g) the physical location of the document and the name of its custodian or custodians.

H. "Insurance": the term "insurance" or "insurance coverage" is defined as a contract whereby, for a stipulated consideration, one party undertakes to compensate the other for loss on a specified subject by specified perils. The party agreeing to make the compensation is called the "insurer." A contract whereby one undertakes to indemnify another against loss, damage, or liability arising from an unknown or contingent event and is applicable only to some contingency or

act to occur in future. An agreement by which one party for a consideration promises to pay money or its equivalent or to do an act valuable to other party upon destruction, loss, or injury of something in which other party has an interest. An insurance contract can be called a "policy."

I. "Premium": the term "premium" is defined as the sum paid or agreed to be paid by an insured to the insurer as the consideration for the insurance. The price for insurance protection for a specified period of exposure.

J. "Insured": the term "insured" is defined as the person whose risks are indemnified or covered by the insurer. Further "insured" is defined as the person who obtains or is otherwise covered by insurance on his health, life, or property. The "insured" in a policy is not limited to the insured named in the policy, but applies to anyone who is insured under the policy.

K. "Solicitation": the term "solicitation" is defined as: 1) proposing to make, as an insurer, an insurance contract;

2) proposing to make, as guarantor or surety, any contract of guaranty or suretyship as a vocation and not merely incidental to any other legitimate business or activity of the guarantor or surety; 3) disseminating information as to insurance coverage or insurance rates; 4) receiving any information as to insurance coverage or insurance rates; 5) forwarding applications for insurance; 6) forwarding requests for insurance; 7) delivering policies or contracts; and 8) in any manner representing or assisting a person or insurer in the transaction of insurance.

L. "Risk": the term "risk" is defined as the casualty or subject matter contemplated in a contract of insurance.

TIME PERIOD

The time period for all documents requested herein is to be from January 1, 1985, to the present, unless a specific request designates a different time period.

DOCUMENTS AND MATERIALS TO BE PRODUCED

1. All documents relating to money paid or owed to any person or entity who solicited or aided in soliciting insurance coverage for you with respect to risks resident,

located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

2. All documents relating to the receipt of money by you for insurance coverage sold to any person or entity located in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

3. All documents relating to claims made against insurance coverage sold to any person or entity located in Texas for which Risk Managers International, Inc., or Corporate Underwriters, Ltd., was represented to be the insurer.

4. All documents relating to claims paid for insurance coverage sold to any person or entity located in Texas for which Risk Managers International, Inc., or Corporate Underwriters, Ltd., was represented to be the insurer.

5. All documents relating to expenses, commissions, fees, taxes and other costs related to insurance coverage sold to any person or entity located in Texas for which Risk Managers International, Inc., or Corporate Underwriters, Ltd., was represented to be the insurer.

6. All correspondence from any person or entity relating to insurance coverage marketed to any person or entity located in Texas for which Risk Managers International, Inc., or Corporate Underwriters, Ltd., was represented to be the insurer. This request includes, but is not limited to, correspondence to or from insureds; correspondence to or from insurance agents; correspondence to or from prospective purchasers; and correspondence to or from any agent, employee, or officer of Risk Managers International, Inc., or Corporate Underwriters, Ltd.

7. All documents which are certificates of incorporation, by-laws, and minutes of board of directors meetings of Risk Managers International, Inc.

8. Any and all documents reflecting disbursements in cash, check, or wire transfer between Corporate Underwriters, Ltd. and Risk Managers International, Inc. regarding the solicitation and/or procurement of insurance to any risk resident, located, or to be performed in Texas.

9. All documentary material regarding the financial net worth of Risk Managers International, Inc. from 1985 to the present including but not limited to financial statements, audits, compilations, and/or loan applications.

10. All documentary material concerning or relating to the payment of salaries, expenses or other compensation for Risk Managers International, Inc., its agents, officers, directors and employees paid by Corporate Underwriters, Ltd.

11. All documentary material reflecting the sale or purchase of assets for investment, for use as equipment, supplies, or other business purposes of Risk Managers International, Inc.

12. All documentary material concerning or in any way relating to any income or receipts earned on the assets, investments or property of Corporate Underwriters, Ltd.

13. All documentary material concerning or in any way relating to any payments either by check, in cash, wire transfer or property, either real or personal, made to Risk Managers International, Inc., in connection with any agreement

pertaining to insurance involving Corporate Underwriters, Ltd., Inc.

14. Any and all insurance treaties or contracts or any other agreement(s) between Risk Managers International, Inc., Herschel Hancock, Nyle Large, Hugh Thompson, and/or Corporate Underwriters, Ltd.

15. Any and all insurance policy(ies) covering any Texas resident(s), and/or entity(ies) entitled to conduct business in Texas in which Risk Managers International, Inc. or Corporate Underwriters, Ltd. was represented to be the insurer.

16. Any documentary material including certificates of insurance coverage or other evidence of insurance issued to Texas residents and/or entities entitled to do business in Texas by, for or through Risk Managers International, Inc. with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

17. Any documentary material relating to contracts and/or agreements with agents or other persons directly or indirectly marketing, soliciting, selling or otherwise engaged in the business of insurance in Texas as defined by the Texas Insurance Code Article 1.14-1 on behalf of Risk Managers International, Inc. and/or Corporate Underwriters, Ltd.

18. Any documentary material relating to claims made by Texas residents and/or entities entitled to do business in Texas pursuant to any policy or coverage for which Risk Managers International, Inc. and/or Corporate Underwriters, Ltd. was represented to be the insurer with respect to risks resident, located or to be performed in Texas.

19. Any documentary material relating to claims paid by Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. or Risk Managers International, Inc. was represented to be the insurer.

20. All documentary material relating to the renewal of insurance coverage issued with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. or Risk Managers International, Inc. was represented to be the insurer. This request includes but is not limited to: correspondence, policies, endorsements, and premium checks.

21. All documentary material relating to any new insurance coverage issued with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. or Risk Managers International, Inc. was represented to be the insurer. This request includes but is not limited to: correspondence, policies, endorsements, and premium checks.

22. All documentary material relating to the effective dates of any and all of the insurance policy forms or contracts where Risk Managers International, Inc. and/or Corporate Underwriters, Ltd. was represented to be the insurer and with respect to risks resident, located, or to be performed in Texas.

23. All documentary material including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd. or any of its officers, employees, agents, or representatives and Michael Sterlacci, or any of his officers, employees, agents

or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. or Risk Managers International, Inc. was represented to be the insurer.

24. All documentary material including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd. or any of its officers, employees, agents, or representatives and James Maley, or any of his officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. or Risk Managers International, Inc. was represented to be the insurer.

25. All documentary material including correspondence or agreements between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd. or any of their officers, employees, agents, or representatives and Augustine and associates, or any officer, employee, representative, servant or agent of Augustine and Associates with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. or Risk Managers International, Inc. was represented to be the insurer.

26. All documentary material including any solicitations from Risk Managers International, Inc. and/or Corporate Underwriters, Ltd. to any and all insurance agents or other persons concerning the marketing of any insurance products of Risk Managers International, Inc. and/or Corporate Underwriters, Ltd. in Texas, whether in whole or in part with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. or Risk Managers International, Inc. was represented to be the insurer.

27. All documentary material relating to insurance coverage for risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

28. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd. and Al Lehman, AML & Associates, P. O. Box 815728, Dallas, Texas 75381-5728, or any of his officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

29. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Sunbelt Express, Inc., P. O. Box 461845, Garland, Texas 75046, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

30. All documents including correspondence or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and C & W Enterprises, P. O. Box 5248, San Angelo, Texas 76902, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

31. All documents including correspondence or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Frenchy's Creole Fried Chicken, Inc., 6830 Mykawa Road, Houston, Texas 77033, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

32. All documents including correspondence or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Administaff, Inc., Four Kingwood Place, Kingwood, Texas 77339, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

33. All documents including correspondence or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Aleman Food Service, 511 Jackson Keller, P. O. Box 13440, San Antonio, Texas 78213, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

34. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Alliance Temporary Service, 4920 N. Meridian, Oklahoma City,

Oklahoma 73112, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

35. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Berryman Products, 3800 Mill Road, Arlington, Texas 76011, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

36. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Big Billy Barrett Mazda, Volkswagon, 11500 E. Northwest Highway, Dallas, Texas 75228, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

37. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Cabaj Enterprises, Inc., 1605 N. Hampton, De Soto, Texas 75115, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

38. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Crawford and Company, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

39. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Southwest Adjusters, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

40. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Custom Conveyor Company, P. O. Box 59448, Dallas, Texas 75229, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

41. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Our Staff, Inc., or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in

Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

42. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Our Staff, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

43. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Staff Professionals, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

44. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and BeneCorp, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

45. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Alliance Temporary Services, Inc., or any of its officers, employees,

agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

46. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Beneficial Personnel Services, Inc., or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

47. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Atra Corporation, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

48. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Staffservices of North Texas, Inc., or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

49. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and American

Risk Management, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

50. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Staff Management Services, or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

51. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Diversified Employee Leasing, Inc., or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

52. All documents including correspondence, agreements or discussions between Risk Managers International, Inc. and/or Corporate Underwriters, Ltd., or any of their officers, employees, agents, or representatives and Staffworks, Inc., or any of its officers, employees, agents or representatives with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

53. All documents which demonstrate any and all premium dollars obtained by or sent to Corporate Underwriters, Ltd. by anyone insured by Corporate

Underwriters, Ltd. with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

54. All documents which demonstrate any and all premium dollars obtained by or sent to Risk Managers International, Inc. by anyone insured by Corporate Underwriters, Ltd. with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

57. All documents representing an invitation to Corporate Underwriters, Ltd. to make a premium price quotation that were received by Corporate Underwriters, Ltd. and/or Risk Managers International, Inc. with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

58. All documents that represent a response by Corporate Underwriters, Ltd. and/or Risk Managers International, Inc. to a letter requesting a premium price quotation that were received by Corporate Underwriters, Ltd. and/or Risk Managers International, Inc. with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

59. All documents that are bank statements for accounts in the name of or for the benefit of Risk Managers International, Inc. or Corporate Underwriters, Ltd. pertaining to any funds or other compensation received from the sale of insurance with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. or Risk Managers International, Inc. was represented to be the insurer.

60. All records of any bank account held in Texas in the name of or for the benefit of Risk Managers International, Inc. or Corporate Underwriters, Ltd. pertaining to any funds or other compensation received from the sale of insurance with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. or Risk Managers International, Inc., was represented to be the insurer.

Respectfully submitted,

DAN MORALES
Attorney General of Texas

WILL PRYOR
First Assistant
Attorney General

MARY F. KELLER
Executive Assistant
Attorney General

CLYDE FARRELL
Chief, Consumer
Protection Division

EDNA RAMON BUTTS
Assistant Attorney General
Chief, Finance Division

EVERETTE JOBE
Assistant Attorney General
Chief, Insurance, Banking
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Finance Division
State Bar No. 10382920
P.O. Box 12548
Austin, Texas 78711-2548
(512) 463-2018
(512) 477-2348 - Telecopier

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing STATE OF TEXAS' FIRST AMENDED DOCUMENT PRODUCTION REQUEST TO CORPORATE UNDERWRITERS, LTD. has been hand delivered to the following attorneys of record and sent by U.S. Mail, certified, return receipt requested to the following attorney of record on this the ____ day of September, 1991, to:

John Holman Barr HAND DELIVERED
BURT BARR & ASSOCIATES
304 South Record Street
Dallas, Texas 75202

Hector DeLeon HAND DELIVERED
Karen Key Johnson
DeLEON, BOGGINS & RICHARDS
480 Austin Centre
701 Brazos
Austin, Texas 78701

Terry Scarborough — HAND DELIVERED
Jody Hageman
JENKINS & GILCHRIST
100 Congress, Suite 1800
Austin, Texas 78701

Marc Richman — CERTIFIED MAIL
306 S. Record Street
Dallas, Texas 75202

LINDA IBACH SHAUNESSY
Assistant Attorney General

Corpundr\rfpcu.2

D-1

NO. 471,568

THE STATE OF TEXAS and STATE BOARD OF INSURANCE, Plaintiffs,	§	IN THE DISTRICT COURT
VS.	§	
RISK MANAGERS INTERNATIONAL, INC.; HERSCHEL HANCOCK, Individually and as Officer of RISK MANAGERS INTERNATIONAL, INC.; NYLE LARGE, Individually and as Agent of RISK MANAGERS INTERNATIONAL, INC.; and CORPORATE UNDERWRITERS, LTD., Defendants.	§	OF TRAVIS COUNTY, TEXAS
	§	299TH JUDICIAL DISTRICT

STATE OF TEXAS' FIRST AMENDED SET OF INTERROGATORIES TO CORPORATE UNDERWRITERS, LTD.

TO: Corporate Underwriters, Ltd., by and through its attorney of record Hector DeLeon, DELEON, BOGGINS & RICHARDS, 480 Austin Centre, 701 Brazos, Austin, Texas 78701

Pursuant to Rule 168 of the Texas Rules of Civil Procedure, the State of Texas, Plaintiff, files this its First Set of Interrogatories to Defendant Corporate Underwriters, Ltd.

1. Please take notice that the parties to whom these Interrogatories are addressed are hereby required, pursuant to the provisions of Rule 168, Texas Rules of Civil Procedure, to serve upon the undersigned attorney of record for the party propounding same their answers in writing under oath to the Interrogatories listed below. It is required that (i) said Interrogatories be answered separately and fully in writing under oath, (ii) the answers be signed and verified by the persons making them (iii) the parties upon whom these Interrogatories are being served shall serve a copy of the answers to the undersigned attorney within thirty (30) days after service of the Interrogatories or within such further time as the Court may allow on motion and notice, (iv) a true copy of the answers be served upon all the parties to this suit or their attorneys. The answers, subject to any objections as to

admissibility, may be used only against the party(s) answering these Interrogatories.

These Interrogatories are deemed to be continuing, such that the parties answering same upon acquiring any information responsive to these Interrogatories after the service of answers hereto which indicates that the answer was incorrect or incomplete when made or has become incomplete or incorrect is required to service Supplemental Answers containing such later acquired information may preclude you from introducing evidence at trial relating to the subject matter of such interrogatories.

This discovery request is covered by the following instructions and definitions:

I.

INSTRUCTIONS AND DEFINITIONS

As used in these interrogatories, the following words and terms shall mean and include the following:

A. As used herein, the terms "you" and "your" shall mean Corporate Underwriters, Ltd., its attorneys, officers, agents, employees, and representatives.

B. As used herein, the terms "Corporate Underwriters, Ltd." and "CU" shall mean Corporate Underwriters, Ltd., its attorneys, officers, agents, employees, and representatives.

C. As used herein, the terms "Risk Managers International, Inc." and "RMI" shall mean Risk Managers International, Inc., its attorneys, officers, agents, employees, and representatives.

D. As used herein, the terms "Defendant" shall mean Corporate Underwriters, Ltd., its attorneys, officers, agents, employees, and representatives.

E. The term "documents" shall mean all writings of every kind, source, and authorship, both originals and all nonidentical copies thereof, in your possession, custody, or control, or known by you to exist, irrespective of whether the

writing is one intended for or transmitted internally by you, or intended for or transmitted to any other person or entity, including without limitation any government agency, department, administrative, or private entity or person. The term shall include handwritten, typewritten, printed, photocopied, photographic, or recorded matter. It shall include communications in words, symbols, pictures, sound recordings, films, tapes, and information stored in, or accessible through, computer or other information storage or retrieval systems, together with the codes and/or programming instructions and other materials necessary to understand and use such systems. For purposes of illustration and not limitation, the term shall include: affidavits; agendas; agreements; analyses; announcements; bills, statements, and other records of obligations and expenditures; books; brochures; bulletins; calendars; canceled checks, vouchers, receipts and other records of payments; charts, drawings; check registers; checkbooks; circulares; collateral files and contents; contracts; corporate by-

laws; corporate charters; correspondence; credit files and contents; deeds of trust; deposit slips; diaries, drafts; files; guaranty agreements; instructions; invoices; ledgers, journals balance sheets, profit and loss statements, and other sources of financial data; letters, logs, notes, or memoranda of telephonic or face-to-face conversations; manuals; memoranda of all kinds, to and from any persons, agencies, or entities; minutes; minute books; notes; notices; parts lists; papers; press releases; printed matter (including published books, articles, speeches, and newspaper clippings); purchase orders; records; records of administrative technical, and financial actions taken or recommended; reports; safety deposit boxes and contents and records of entry; schedules; security agreements; specifications; statement of bank accounts; statements, interviews; stock transfer ledger; technical and engineering reports, evaluations, advice, recommendations, commentaries, conclusions, studies, test plans, manuals, procedures, data, reports, results, and conclusions; summaries, notes, and other records and

recordings of any conferences, meetings, visits, statements, interviews or telephone conversations; telegrams; teletypes and other communications sent or received; transcripts of testimony; UCC instruments; workpapers; and all other writings, the contents of which relate to, discuss, consider, or otherwise refer to the subject matter of the particular discovery requested.

F. The term "documents" shall also include, but shall not be limited to: 1) a contract of insurance; 2) an application for insurance; 3) any records relating to premiums, commissions, membership fees, assessments, dues, or other consideration for any insurance; 4) any records relating to the solicitation or negotiation of insurance or renewals; 5) any records relating to the dissemination of information as to coverage or rates; 6) any records relating to the inspection of risks; 7) any records relating to the investigation or adjustment of claims or losses; and 8) any records relating to the transaction of matters subsequent to the effectuation of a contract of insurance.

G. "Person": The term "person" shall include individuals, associations, partnerships, corporations, and any other type of entity or institution whether formed for business purposes or any other purposes.

H. "Identify" or "Identification":

a. When used in reference to a person, "identify" or "identification" means to state his/her full name, present or last known address and telephone number.

b. When used in reference to a public or private corporation, governmental entity, partnership or association, "identify" or "identification" means to state its full name, present or last known business address and telephone number.

c. When used in reference to a document, "identify" or "identification" shall include statement of the following:

(a) the title, heading, or caption, if any, of such document;

(b) the identifying number(s), letter(s), or combination thereof, if any; and the

significance or meaning of such number(s), letter(s), or combination thereof, it necessary to an understanding of the document and evaluation of any claim of protection from discovery.

(c) the date appearing on such document; if no date appears thereon, the answer shall so state and shall give the date or approximate date on which such document was prepared.

(d) the number of pages and the general nature or description of such document (*i.e.*, whether it is a letter, memorandum, minutes of a meeting, etc.), with sufficient particularity so as to enable such document to be precisely identified;

(e) the name and capacity of the person who signed such document; if it was not signed the answer shall so state and shall give the name of the person or persons who prepared for it;

(f) the name and capacity of the person to whom such document was addressed and the name and capacity of such person, other than such addressee, to whom such document, or a copy thereof, was sent; and

(g) the physical location of the document and the name of its custodian or custodians.

I. "Insurance": the term "insurance" is defined as a contract whereby, for a stipulated consideration, one party undertakes to compensate the other for loss on a specified subject by specified perils. The party agreeing to make the compensation is called the "insurer." A contract whereby one undertakes to indemnify another against loss, damage, or liability arising from an unknown or contingent event and is applicable only to some contingency or act to occur in future. An agreement by which one party for a consideration promises to pay money or its equivalent or to do an act valuable to other party upon destruction, loss, or injury of something in which other party has an interest. An insurance contract can be called a "policy."

J. "Premium": the term "premium" is defined as the sum paid or agreed to be paid by an insured to the insurer as the consideration for the insurance. The price for insurance protection for a specified period of exposure.

K. "Insured": the term "insured" is defined as the person whose risks are indemnified or covered by the insurer. Further "insured" is defined as the person who obtains or is otherwise covered by insurance on his health, life, or property. The "insured" in a policy is not limited to the insured named in the policy, but applies to anyone who is insured under the policy.

L. "Solicitation": the term "solicitation" is defined as: 1) proposing to make, as an insurer, an insurance contract; 2) proposing to make, as guarantor or surety, any contract of guaranty or suretyship as a vocation and not merely incidental to any other legitimate business or activity of the guarantor or surety; 3) disseminating information as to insurance coverage or insurance rates; 4) receiving any information as to insurance coverage or insurance rates; 5) forwarding applications for insurance; 6) forwarding requests for insurance; 7) delivering policies or contracts; and 8) in any manner representing or assisting a person or insurer in the transaction of insurance.

M. "Risk": the term "risk" is defined as the casualty or subject matter contemplated in a contract of insurance.

N. "The business of insurance": the term "the business of insurance" is defined as 1) the making of or proposing to make, as an insurer, an insurance contract; 2) the making of or proposing to make, as guarantor or surety, any contract of guaranty or suretyship as a vocation and not merely incidental to any other legitimate business or activity of the guarantor or surety; 3) the taking or receiving of any application for insurance; 4) the receiving or collection of any premium, commission, membership fees, assessments, dues or other consideration for any insurance or any part thereof; 5) the issuance or delivery of contracts of insurance to residents of this state or to persons authorized to do business in this state; 6) directly or indirectly acting as an agent for or otherwise representing or aiding on behalf of another any person or inurer in the solicitation, negotiation, procurement or effectuation of insurance or renewals thereof or in the dissemination of

information as to coverage or rates, or forwarding of applications. or delivery of policies or contracts, or inspection of risks, a fixing of rates or investigation or adjustment of claims or losses or in the transaction of matters subsequent to effectuation of the contract and arising out of it, or in any other manner representing or assisting a person or insurer in the transaction of insurance with respect to subjects of insurance resident, located or to be performed in this state.

TIME PERIOD

The time period for all interrogatories herein is to be from January 1, 1985, to the present, unless a specific interrogatory designates a different time period.

INTERROGATORY NO. 1:

Identify all persons having knowledge of any facts relating to the State of Texas' claims, or Defendant's defenses in this case.

ANSWER NO. 1:

INTERROGATORY NO. 2:

For each person you have identified in answer to interrogatory number 1, state the basis for and substance of the knowledge you believe the person has or may have.

ANSWER NO. 2:

INTERROGATORY NO. 3:

For the past five (5) years, identify by: style, cause number, court, county, and state, any lawsuits or administrative proceedings filed against you alleging fraud, deceptive trade practices, misrepresentation, unconscionable action or violation of any insurance laws.

ANSWER NO. 3:

INTERROGATORY NO. 4:

Identify any and all cease and desist orders which have been issued against you in the last five years and give the: (a)

name of the state issuing the cease and desist order and (b) date the cease and desist order was issued.

ANSWER NO. 4:

INTERROGATORY NO. 5:

Identify each person from whom you or your attorney, agent, or representative have obtained any written or recorded statement or report regarding the facts relating to this lawsuit, and identify the person(s) having possession, custody, or control of such statements and reports. This request includes, but is not limited to:

(a) any written statement signed or otherwise adopted or approved by the person making it; and

(b) any stenographic, mechanical, electrical, or other type of recording, or any transcription thereof which is a substantially verbatim recital of a

statement made by the person and contemporaneously recorded.

ANSWER NO. 5:

INTERROGATORY NO. 6:

Has Defendant been correctly named in this lawsuit, and has Defendant been sued in the proper legal capacity?

ANSWER NO. 6:

INTERROGATORY NO. 7:

Identify all insurance claims received by you with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters was represented to be the insurer.

ANSWER NO. 7:

INTERROGATORY NO. 8:

Identify individually as to each claim identified in Interrogatory No. 7 as to whether it was paid, denied, or is still under review.

ANSWER NO. 8:

INTERROGATORY NO. 9:

State all facts which you contend tend to refute Plaintiffs' claims that Corporate Underwriters, Ltd. conducted the business of unauthorized insurance in Texas as defined in Tex. Ins. Code 1.14-1 or substantiate any defenses you claim.

ANSWER NO. 9:

INTERROGATORY NO. 10:

Identify all agreements or contracts whether oral or written which Corporate Underwriters, Ltd. entered into with Risk Managers International, Inc., with regard to the business

of insurance as defined by Tex. Ins. Code Art. 1.14-1(2)(a) where the risk is located, resident or to be performed in Texas.

ANSWER NO. 10:

INTERROGATORY NO. 11:

Identify any and all premiums, fees, membership fees, commissions, assessments, dues, and other consideration which was paid to Corporate Underwriters, Ltd. with respect to risks resident, located, or to be performed in Texas for insurance policies for which Corporate Underwriters, Ltd. was represented to be the insurer.

ANSWER NO. 11:

INTERROGATORY NO. 12:

Identify all persons employed by Corporate Underwriters, Ltd. and all directors and officers of Corporate Underwriters, Ltd. from January 1, 1985, up to and through the present date.

ANSWER NO. 12:

INTERROGATORY NO. 13:

Identify all non-employee accountants and/or bookkeepers retained by Corporate Underwriters, Ltd. from January, 1985 through the present.

ANSWER NO. 13:

INTERROGATORY NO. 14:

For each accountant and/or bookkeeper identified in interrogatory no. 13, state the exact purpose for which they were retained, such as, but not limited to, preparation of income tax returns, audits, financial statements, etc.

ANSWER NO. 14:

INTERROGATORY NO. 15:

Identify all bank and/or savings and loan accounts of any type held in the name of and/or for the benefit of Corporate

Underwriters, Ltd. from January 1, 1985 to the present, giving the name and address of each financial institution and the account number.

ANSWER NO. 15:

INTERROGATORY NO.16:

State the net worth of Corporate Underwriters, Ltd. for each year from 1985 to the present.

ANSWER NO. 16:

INTERROGATORY NO. 18:

List each and every insurance policy with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters, Ltd. was represented to be the insurer.

ANSWER NO. 18:

INTERROGATORY NO. 19:

Identify each person or entity you contend may be responsible for paying any part of the workers compensation insurance claims for policies with respect to risks resident, located, or to be performed in Texas for which Corporate Underwriters or Risk Managers International, Inc. was represented to be the insurer.

ANSWER NO. 19:

INTERROGATORY NO. 20:

For any person or entity identified in answer to interrogatory No. 19, state the reason(s) you contend they may be responsible and all facts supporting your contention.

ANSWER NO. 20:

INTERROGATORY NO. 21:

Identify each and every person who purchased insurance from, by, or through Corporate Underwriters, Ltd. from

January 1, 1985 to the present where the risk is resident, located, or to be performed in Texas.

ANSWER NO. 21:

INTERROGATORY NO. 22:

Identify each and every person and/or insurance agent who has disseminated information as to insurance coverage or rates with respect to an insurance contract where the risks are resident, located, or to be performed in Texas and Corporate Underwriters, Ltd. is represented to be the insurer.

ANSWER NO. 22:

INTERROGATORY NO. 24:

Identify each and every person who has received commission(s) or any type of compensation from Corporate Underwriters, Ltd. with respect to the business of insurance as defined by Art. 1.14-1 of the Texas Insurance Code from January 1, 1985, to the present where the risks are resident,

located, or to be performed in Texas and for which Corporate Underwriters was represented to be the insurer.

ANSWER NO. 24:

INTERROGATORY NO. 25:

Describe any and all financial information known to you about Transworld Reinsurers Ltd. of the Turks and Caicos Islands, British West Indies.

ANSWER NO. 25:

INTERROGATORY NO. 26:

Describe the exact nature of the business and/or legal relationship between Risk Managers International, Inc. and Corporate Underwriters, Ltd. with respect to the business of insurance as defined by Art. 1.14-1(2)(a) of the Texas Insurance Code from January 1, 1985, to the present.

ANSWER NO. 26:

INTERROGATORY NO. 27:

Describe the exact nature of the business and/or legal relationship between Corporate Underwriters, Ltd. and Transworld Reinsurers, Ltd. of the Turks and Caicos Islands, British West Indies with respect to the business of insurance as defined by Art. 1.14-1(2)(a) of the Texas Insurance Code from January 1, 1985, to the present.

ANSWER NO. 27:

INTERROGATORY NO. 28:

Describe in detail any settlement, agreement, deal or other understanding of any kind whatsoever reached with any person, firm, corporation, partnership, or legal entity whatsoever in respect to this lawsuit (verbal, written, or otherwise) including, but not limited to "Mary Carter" agreements. This interrogatory seeks but is not limited to information concerning agreements or understandings of any

kind whatsoever, including past, present, or future settlements, deals, agreements, understandings, and conduct by or between you and any other legal entity whatsoever.

ANSWER NO. 28:

INTERROGATORY NO. 29:

Identify each person either participating in the preparation of the answers to these interrogatories or supplying information used in such preparation, and indicate the interrogatories with respect to which he or she was involved.

ANSWER NO. 29:

Respectfully submitted,

DAN MORALES
Attorney General of Texas

WILL PRYOR
First Assistant
Attorney General

MARY F. KELLER
Deputy Attorney General
for Litigation

CLYDE FARRELL
Chief, Consumer
Protection Division

EDNA RAMON BUTTS
Assistant Attorney General
Chief, Finance Division

EVERETTE JOBE
Assistant Attorney General
Chief, Insurance, Banking,
and Securities Section

LINDA IBACH SHAUNESSY
Assistant Attorney General
Finance Division
State Bar No. 10382920
P.O. Box 12548
Austin, Texas 78711-2548
(512) 463-2018
(512) 477-2348 - Telecopier

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing STATE OF TEXAS' FIRST AMENDED SET OF INTERROGATORIES TO CORPORATE UNDERWRITERS, LTD. has been hand delivered to the following attorneys of record and sent by U.S. Mail, certified, return receipt requested to the following attorney of record on this the ____ day of September, 1991, to:

John Holman Barr — HAND DELIVERED
BURT BARR & ASSOCIATES
304 South Record Street
Dallas, Texas 75202

Hector DeLeon — HAND DELIVERED
DeLEON, BOGGINS & RICHARDS
480 Austin Centre
701 Brazos
Austin, Texas 78701

Terry Scarborough — HAND DELIVERED
JENKINS & GILCHRIST
600 Congress, Suite 2200
Austin, Texas 78701

Marc Richman — CERTIFIED MAIL
306 S. Record Street
Dallas, Texas 75202

_____
LINDA IBACH SHAUNESSY
Assistant Attorney General

corpundr/intcu.2

COUNTY OF TRAVIS
STATE OF TEXAS

John K. Dietz
District Judge
250th District Court

County Courthouse
P.O. Box 1748
Austin, Texas 78767

February 6, 1992

TO ALL COUNSEL OF RECORD:

Re: Cause No. 471,568; State of Texas v. Risk Managers International, Inc.

Dear Counsel:

I have completed the incamera inspection of the materials submitted to me by Risk Managers, Inc.

The following do not have to be produced because RMI has shown that the insurance was independently procured outside of Texas.

(1) AKAL Security
(2) Delta Gulf Corp.
(3) Jimmie Tucker Trucking
(4) Alliance Temporary Services
(5) Associated Personnel Services
(6) Coast Industries
(7) Dean's Security Professionals
(8) Indiana Transportation Services
(9) Transport Leasing

The following are to be produced instanter to the State of Texas.

(1) Administaff
(2) ATRA Corp.
(3) Benecorp
(4) BPS of TX. Inc.
(5) Berryman
(6) Bollinger
(7) M & B Staff Leasing
(8) Martin & Martin
(9) Staff One
(10) Staff Services
(11) Staff Works
(12) Staff Professionals
(13) Triangle Machine & Manufacturing
(14) Aleman
(15) Alternative Business Concepts, Inc.
(16) Bay-Pac
(17) Big Billy Barrett Volkswagen
(18) C & W Enterprises
(19) CABAJ
(20) Certified Services
(21) Corporate Compensation
(22) Custom Conveyor Co.
(23) Diversified Employee Leasing
(24) Employers Select Management
(25) Frenchy's Creole Fried Chicken/Frenchy's Sausage
(26) J. Electric Co.
(27) Merida, Inc.
(28) Pinocchio's Pizza
(29) RNW Associates
(30) Specialty Vehicle
(31) Speedy's Food Service.

Rather than do an item by item analysis of each file, I can tell you that the following factors influenced my decision that there was insufficient evidence of independently procured insurance in the thirty-one files ordered produced.

(1) Corporate Underwriters maintained a depository account 0122804 at Interfirst, later NCNB in Dallas, Texas. All premium checks where the backside was copied were deposited in that account.

(2) Most of the "Workers Compensation & employers Liability Insurance Policy" contain the following first sentence "In return for the payment of the premium [which takes place in Texas] and subject to all terms of this policy, we agree with you as follows."

(3) In many instances the delivery of price quotations, policies, etc. were by "Insurance Consultants" or by Risk Managers International employees, i.e. Texas citizens acting in Texas with Texas customers, insuring Texas Workers, paid for by checks deposited in National banks situated in Texas.

and finally

(4) Two memos approximately a year apart which cost substantial doubt upon the procedure wherein CV claims that the negotiations occurred entirely outside of Texas. The February 15, 1989, memo by RMI to one of its "consultants" indicates that there is "... the usual written request to Corporate Underwriters LTD (on Diversifieds' letterhead) for acceptance of the Premium Quotatum. Please have it dated 2-13-89."

The second memo, dated May 2, 1990 shows that the same procedure of having a letter to CV, as a ruse.

Res ipsa loquitor.

Respectfully

/s/

JOHN K. DIETZ
Judge, 250th District Court
Travis County, Texas

JKD/pc

NO. 471,568

THE STATE OF TEXAS and STATE BOARD OF INSURANCE, Plaintiffs,	§	IN THE DISTRICT COURT
VS.	§	
RISK MANAGERS INTERNATIONAL, INC.; HERSCHEL HANCOCK, Individually and as Officer of RISK MANAGERS INTERNATIONAL, INC.; NYLE LARGE, Individually and as Agent of RISK MANAGERS INTERNATIONAL, INC.; and CORPORATE UNDERWRITERS, LTD., Defendants.	§	OF TRAVIS COUNTY, TEXAS
	§	299TH JUDICIAL DISTRICT

ORDER OF FEBRUARY 6, 1992 REGARDING THE DISCOVERY OBJECTIONS OF DEFENDANT RISK MANAGERS INTERNATIONAL, INC.

On the 6th day of February, 1992, in the above-styled and numbered cause came before this Court The State of Texas and the State Board of Insurance ("plaintiffs") and defendant, Risk Managers International, Inc. ("RMI") and presented their

arguments to several motions set before this Court. Plaintiffs and defendant appeared by and through their counsel of record. Counsel for Nyle Large had notice of the hearing but did not appear. The Court, having heard and considered argument of counsel, is of the following opinion:

It is hereby ORDERED, ADJUDGED and DECREED that:

1. RMI's objections to discovery that the information sought does not appear reasonably calculated to lead to the discovery of admissible evidence since any act of the business of insurance engaged in by RMI fall within the statutory exception set out in Art. 1.14-1 §§2(b)(4) and 12 of the Texas Insurance Code are hereby OVERRULED as to the following entities:

a) Administaff
b) ATRA Corp.
c) Benecorp
d) BPS of Tx., Inc.
e) Berryman
f) Bollinger
g) M & B Staff Leasing

h) Martin & Martin
i) Staff One
j) Staff Services
k) Staff Works
L) Staff Professionals, Inc.
m) Triangle Machine & Manufacturing
n) Aleman
o) Alternative Business Concepts, Inc.
p) Bay-Pac
q) Big Billy Barret Volkswagen
r) C & W Enterprises
s) Cabaj
t) Certified Services
u) Corporate Compensation
v) Custom Conveyor Co.
w) Diversified Employee Leasing
x) Employer's Select Management
y) Frenchy's Creole Chicken/ Frenchy's Sausage
z) J. Electric Co.
aa) Merida, Inc.
bb) Pinocchio's Pizza
cc) RNW Associates
dd) Specialty Vehicle, and
ee) Speedy's Food Service.

Defendant's objections to discovery, that the information sought is not reasonably calculated to lead to the discovery of admissible evidence is GRANTED since any of the business of insurance engaged in by defendant in conjunction with the following entities, falls within the statutory exceptions as set out

in Article 1.14-1 §2(b)(4) and 12 of the Texas Insurance Code. Therefore, defendant does not have to produce any discovery relating to the following entities:

a) AKAL Security
b) Delta Gulf Corp.
c) Jimmie Tucker Trucking
d) Alliance Temporary Services, Inc.
e) Associated Personnel Services, Inc.
f) Coast Industries
g) Dean's Security Professionals,
h) Indiana Transportation Services, and
i) Transport Leasing.

2. With the exception of financial information to be the subject of subsequent hearing, RMI's objections to discovery propounded by the plaintiffs that the discovery is burdensome, harassing, and irrelevant are hereby OVERRULED.

3. The interrogatories propounded to RMI by the plaintiff are hereby considered to consist of 60 answers.

4. RMI's objection that plaintiffs have served RMI with excessive number of interrogatories is overruled.

Plaintiffs' interrogatories are not objectionable because they require sixty (60) answers.

5. RMI's objection to the production of documents regarding Corporate Underwriters, Ltd.'s superior right to and ownership of the documents which plaintiffs have requested is OVERRULED. RMI must produce all documents responsive to the plaintiffs' requests for which another privilege is not claimed and for which RMI maintains possession, custody, or control thereof.

SIGNED this the 12th day of June, 1992, NUNC PRO TUNC February 6, 1992.

/S/
JUDGE JOHN K. DIETZ

AGREED AS TO FORM:

/S/
LINDA I. SHAUNESSY
ATTORNEY FOR
PLAINTIFFS

/S/
TERRY SCARBOROUGH
ATTORNEY FOR DEFENDANT,
RISK MANAGERS
INTERNATIONAL, INC.

[LIS\CORPUNDR\ORDDISC1.RMI]

ORDER OF FEBRUARY 6, 1992 REGARDING THE DISCOVERY OBJECTIONS OF DEFENDANT RISK MANAGERS INTERNATIONAL, INC.

NO. 471,568

THE STATE OF TEXAS and STATE BOARD OF INSURANCE, Plaintiffs,	§	IN THE DISTRICT COURT
VS.	§	
RISK MANAGERS INTERNATIONAL, INC.; HERSCHEL HANCOCK, Individually and as Officer of RISK MANAGERS INTERNATIONAL, INC.; NYLE LARGE, Individually and as Agent of RISK MANAGERS INTERNATIONAL, INC.; and CORPORATE UNDERWRITERS, LTD., Defendants.	§	OF TRAVIS COUNTY, TEXAS
	§	299TH JUDICIAL DISTRICT

ORDER OF FEBRUARY 6, 1992 REGARDING THE DISCOVERY OBJECTIONS OF DEFENDANT HERSCHEL HANCOCK

On the 6th day of February, 1992, in the above-styled and numbered cause came before this Court The State of Texas, State Board of Insurance ("plaintiffs") and Herschel Hancock, individually and as president of Risk Managers International,

Inc. ("defendant") and presented arguments on several motions set before this Court. Plaintiffs and defendant appeared by and through their counsel of record. Counsel for Nyle Large had notice of the hearing but did not appear. The Court, having heard and considered argument of counsel, is of the following opinion:

It is hereby ORDERED, ADJUDGED and DECREED that:

1. Defendant's objections to discovery that the information sought does not appear reasonably calculated to lead to the discovery of admissible evidence since any act of the business of insurance engaged in by defendant falls within the statutory exception set out in Art. 1.14-1 §§2(b)(4) and 12 of the Texas Insurance Code are hereby OVERRULED as to the following entities:

a) Administaff
b) ATRA Corp.
c) Benecorp
d) BPS of Tx., Inc.
e) Berryman

f) Bollinger
g) M & B Staff Leasing
h) Martin & Martin
i) Staff One
j) Staff Services
k) Staff Works
L) Staff Professionals, Inc.
m) Triangle Machine & Manufacturing
n) Aleman
o) Alternative Business Concepts, Inc.
p) Bay-Pac
q) Big Billy Barret Volkswagen
r) C & W Enterprises
s) Cabaj
t) Certified Services
u) Corporate Compensation
v) Custom Conveyor Co.
w) Diversified Employee Leasing
x) Employer's Select Management
y) Frenchy's Creole Chicken/ Frenchy's Sausage
z) J. Electric Co.
aa) Merida, Inc.
bb) Pinocchio's Pizza
cc) RNW Associates
dd) Specialty Vehicle, and
ee) Speedy's Food Service.

Defendant's objections to discovery, that the information sought is not reasonably calculated to lead to the discovery of admissible evidence is GRANTED since any act of the business of insurance engaged in by defendant in conjunction with the

following entities, falls within the statutory exceptions as set out in Article 1.14-1 §2(b)(4) and 12 of the Texas Insurance Code. Therefore, defendant does not have to produce any discovery relating to the following entities.

a) AKAL Security
b) Delta Gulf Corp.
c) Jimmie Tucker Trucking
d) Alliance Temporary Services, Inc.
e) Associated Personnel Services, Inc.
f) Coast Industries
g) Dean's Security Professionals,
h) Indiana Transportation Services, and
i) Transport Leasing.

2. With the exception of financial information and information for which defendant claims an exemption from discovery based on the Fifth Amendment and Sections 9 and 10 of the Texas Constitution, defendant's objections to discovery propounded by the plaintiffs that the discovery is burdensome, harassing, and irrelevant are hereby OVERRULED.

3. Hancock's objection that plaintiffs have served Hancock with excessive number of interrogatories is overruled.

Plaintiffs' interrogatories are not objectionable because they require sixty (60) answers.

4. Any interrogatories propounded by the plaintiffs or defendant which request the answering party to identify a document may be responded to by the production of that document for inspection and copying.

5. The defendant's objections to the production of documents regarding Corporate Underwriters, Ltd.'s superior right to and ownership of the documents which plaintiffs have requested is OVERRULED. Defendant must produce all documents responsive to the plaintiffs' requests for which another privilege is not claimed and for which defendant maintains possession, custody, or control thereof.

6. The Court reserves its ruling to a later hearing on the discovery objections made by defendant wherein defendant has asserted his right against self-incrimination pursuant to the Fifth Amendment of the United States Constitution as made

applicable to the States by the Fourteenth Amendment and Article I §§9 and 10 of the Texas Constitution.

SIGNED this the ____ day of _____, 1992, NUNC PRO TUNC February 6, 1992.

/S/
JUDGE JOHN K. DIETZ

AGREED AS TO FORM:

/S/
LINDA I. SHAUNESSY
ATTORNEY FOR
PLAINTIFFS

/S/
ALICIA CURRAN
ATTORNEY FOR HERSCHEL HANCOCK AS AN INDIVIDUAL

/S/
TERRY SCARBOROUGH
ATTORNEY FOR HERSCHEL
HANCOCK AS PRESIDENT
OF RISK MANAGERS
INTERNATIONAL, INC.

[LIS\CORPUNDR\ORDDISC1.HH]